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THE *Demand and Price* SITUATION

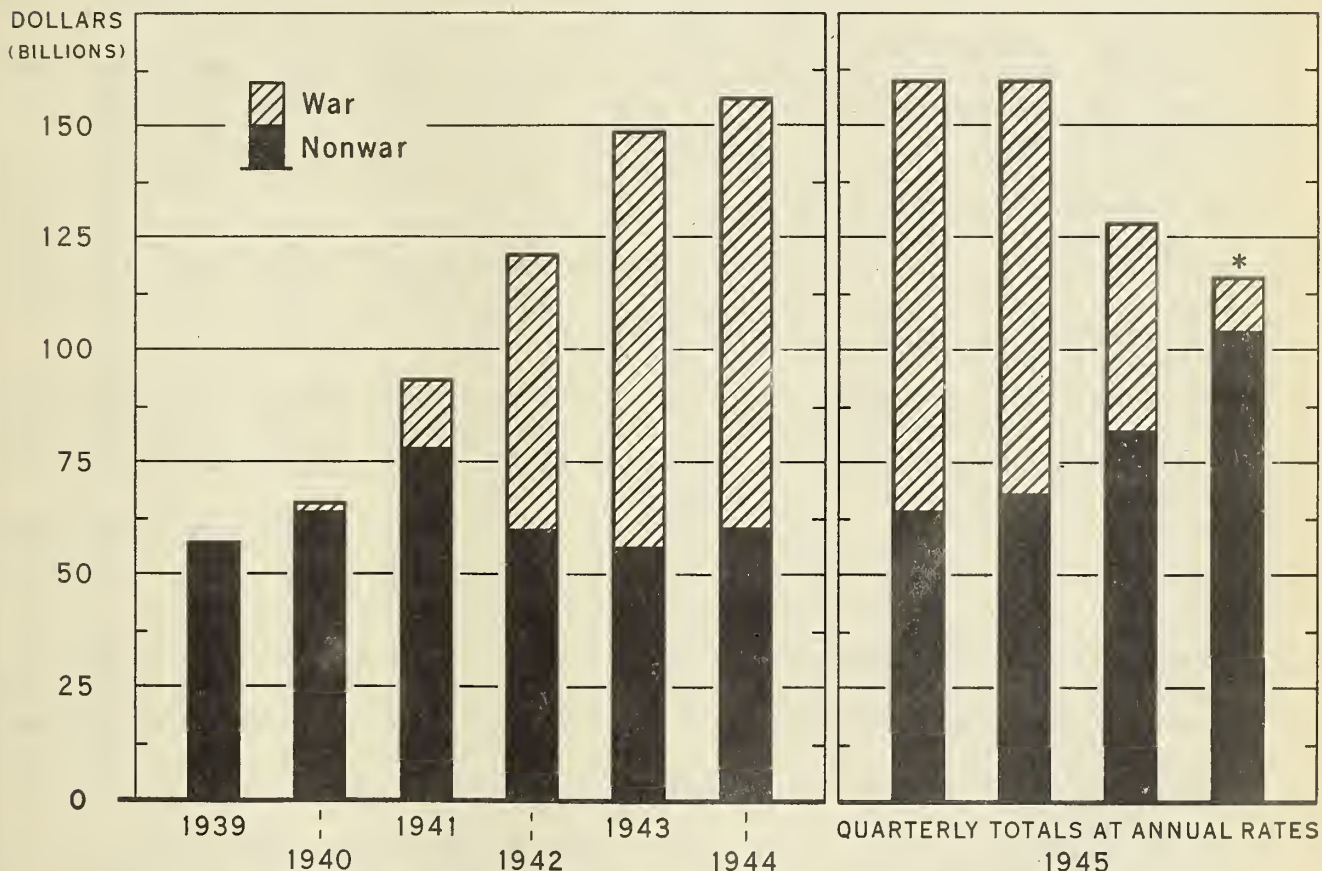
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.



APRIL 1946

MANUFACTURERS' SHIPMENTS, WAR AND NONWAR



* DATA FOR LAST QUARTER OF 1945 PRELIMINARY ESTIMATE

SOURCE: DEPT. OF COMMERCE

U. S. DEPARTMENT OF AGRICULTURE

NEG. 45928 BUREAU OF AGRICULTURAL ECONOMICS

Reconversion to peacetime economy is indicated by changes in the value of manufacturers' shipments and the shift from war to nonwar uses. In the second quarter of 1945, shipments were at an annual rate of 160 billion dollars, 181 percent above 1939, but shipments for non-war use were only about 20 percent above 1939. Beginning in the third quarter of 1945, total shipments fell rapidly, but the amount going to non-war uses rose, and by the last quarter of 1945 manufacturers' shipments for civilian use were estimated at an annual rate of 104 billion dollars about 80 percent above 1939.

ECONOMIC TRENDS AFFECTING AGRICULTURE

Item	Units or base period	1945				1946	
		Year	Feb.	Nov.	Dec.	Jan.	Feb.
Industrial Production <u>1/</u>	: 1935-39 :						
Total	= 100 :	203	236	168	163	160	154
All manufactures	" :	214	252	173	169	164	156
Durable goods	" :	274	346	191	185	167	144
Nondurable goods	" :	166	176	158	156	161	165
Minerals	" :	137	141	138	133	140	142
Construction activity <u>1/</u>	: 1935-39 :						
Contracts, total	= 100 :	118	103	164	188	186	190
Contracts, residential	" :	64	32	108	137	150	154
Wholesale prices <u>2/</u>	: 1935-39 :						
All commodities	= 100 :	131	131	133	133	133	134
All commodities except farm and food	" :	123	122	123	124	124	125
Farm products	" :	169	167	173	173	171	172
Food	" :	134	132	136	137	136	136
Prices received and paid by farmers <u>3/</u>	: 1910-14 :						
Prices received, all prod. ..	= 100 :	202	199	205	207	206	207
Prices paid, int. and taxes ..	" :	174	172	175	176	177	178
Parity ratio	" :	116	116	117	118	116	116
Consumers' price <u>5/</u> <u>6/</u>	: 1935-39 :						
Total	= 100 :	128	127	129	130	130	129
Food	" :	139	136	140	141	141	140
Nonfood	" :	123	122	124	124	124	124
Income	: 1935-39 :						
Nonagricultural payments <u>4/</u> ..	= 100 :	236	240	232	230	229	227
Cash farm <u>3/</u>	" :	283	312	282	282	281	313
Income of Industrial Workers <u>3/</u>	" :	276	334	229	233	235	219
Factory payrolls <u>5/</u>	" :	295	367	237	241	244	224
Weekly earnings of factory workers <u>5/</u>	: Dollars :						
All manufacturing	" :	44.42	47.37	40.77	41.40	41.27	---
Durable goods	" :	49.08	53.30	43.71	44.30	43.80	---
Nondurable goods	" :	38.30	38.69	37.89	38.65	38.83	---
Employment	:						
Total civilian <u>7/</u>	: Millions :	51.6	50.6	51.7	51.4	51.4	51.7
Employees in nonagri. est. <u>5/</u> ..	: Thous. :	36,980	37,968	35,639	36,319	35,839	35,554
Farm <u>3/</u>	" :	9,844	8,051	10,747	9,245	7,732	7,799
Government finance (Federal) <u>8/</u> ..	: Mil. dol. :						
Receipts, net	" :	3,837	3,767	2,374	4,118	3,819	3,678
Expenditures	" :	7,546	7,460	4,656	5,445	4,891	3,510

Sources: 1/ Federal Reserve Board; converted to a 1935-39 base. 2/ U.S. Dept. of Labor, B. L. S. 3/ U.S. Dept. of Agriculture, B.A.E. To convert prices received and prices paid, interest and taxes to the 1935-39 base, multiply by .93110 and .78125 respectively. 4/ U.S. Dept. of Commerce. 5/ U.S. Dept. of Labor, B. L. S. 6/ Consumers' price index for moderate-income families in large cities. 7/ U.S. Dept. of Commerce, Bureau of Census. 8/ U.S. Dept. of Treasury. Data for 1944 are on average monthly basis.

T H E D E M A N D A N D P R I C E S I T U A T I O N

Approved by Outlook and Situation Board April 26, 1946

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DEMAND FOR FARM PRODUCTS

Prospects for an exceptionally high demand for farm products throughout the year were borne out by events during the first quarter of 1946. Farm income will be higher than was anticipated last fall and cash receipts will be about as high as last year.

Total income payments during the first quarter were maintained at an average annual rate of about 156 billion dollars, only 5 percent below the first quarter of 1945. Consumer expenditures on goods and services were at a record annual rate of 120 billion dollars, nearly 15 percent higher than a year earlier. This has given rise to a boom in retail trade, which, instead of declining seasonally from the usual December peak, has shown a very sharp expansion.

The marked rise in consumer expenditures reflects the continued high level of income payments, reduced income taxes, reduction in wartime rates of saving, and increases in the output of goods and services. Although the production of a considerable number of final products, particularly consumer durables, is below prewar levels, the total output of the civilian economy, including basic raw materials, power and transportation, exceeds any previous peacetime level.

Income payments during the first quarter were maintained in the face of a continued decline in the total volume of salaries and wages. Mustering-out pay, which exceeded an annual rate of 4 billion dollars in this quarter, and continued large Federal purchases of goods and services, were important additions to income originating from the private purchase of goods and services.

Income originating from private purchases is expected to increase but may not be sufficient to offset declines in income from other sources, so that total income payments in the second quarter may be slightly below those of the first quarter. However, consumer expenditures and retail sales probably will continue to rise. By the third quarter, the expected increase in the output of goods and services should result in a rise in total income payments, bringing them close to the level attained in the first quarter which would be about 2 percent below the third quarter of 1945.

The index of industrial production which dropped to 154 (1935-39 = 100) in February recovered to 169 in March. This represented a return to the level of November 1945, which was the highest point for this index following the cutbacks in armament production. After November, the index fell markedly largely because of the spread of strikes to major industries. The rise from February to March was due principally to the rapid expansion of steel output following the strike settlements. Conditions are now favorable for a steady upward movement in this index during the rest of the year, unless the coal strike should become so prolonged that the output of basic industries is retarded.

The labor situation did not change greatly from January to February. According to the Census report on the labor force for the week of February 3-9, the civilian labor force increased slightly from 53,710,000 to 54,340,000. Owing principally to a small seasonal upswing in agricultural employment, total civilian employment in February was estimated at 51,690,000 compared with 51,420,000 in January. As additions to the civilian labor force exceeded the increase in civilian employment, the number of persons looking for jobs increased from 2,290,000 to 2,650,000. The number of persons not looking for job but absent from work because of strikes, vacations or illness was reported at 2,800,000 in February. Additions to the civilian labor force and increased employment are anticipated during the next few months, and although the additions to the labor force probably will be greater than increases in employment, the average number of persons looking for work during the second quarter may not exceed 1,150,000 or approximately 5 percent of the total labor force.

The completion of reconversion and the beginning of an upswing is also evident in foreign trade. The monthly average value of exports dropped from a peak of \$1,35,000,000 in May 1945 to \$455,000,000 in October, but recovered to \$800,000,000 in January, a level more than three times as great as the monthly average during the prewar period 1935-39.

COMMODITY PRICES

No marked change in the index of prices received is anticipated during the next few months. The index for livestock and livestock products is expected to remain quite steady though there may be a slight decline in the index for crops from April to June, particularly if prices of truck crops show their usual seasonal decline. The index of prices paid, interest and taxes is expected to continue to advance.

The index of prices received by farmers in mid-March was 209 (1909-14=100) 2 points above February and 11 points higher than the year earlier. This is the highest point reached by this index since August 1920. The rise in the total index since March 1945 is largely accounted for by advancing crop prices. The index of crop prices in March was 215, 2 points above February and 19 points higher than a year earlier.

The index of prices paid by farmers, including interest and taxes, was 179 in March which was 1 point above February and 6 points above March, 1945. As a result of the slightly greater increase in the index of prices received, the parity ratio increased from 116 in February to 117 in mid-March.

FARM INCOME

1946 cash receipts from farm marketings are now estimated at 20.2 billion dollars only a little less than the 20.7 billion of 1945. Present estimates of 20.9 billion, including government payments, are 10 percent higher than the estimates made last fall. Total cash receipts in May and June will be about the same as in the corresponding months last year. Cash receipts in May probably will be 5 to 10 percent above April, and in June, 5 to 10 percent above May. Livestock and products for both months may be about 10 percent greater than in April, reflecting seasonal production increases in most livestock products. Crops in May probably will be about the same as in April, but they may show a substantial gain in June as income from fruits and vegetables increase seasonally.

Preliminary estimates indicate that cash receipts from farm marketings during the first 6 months in 1946 may be about 8,600 million dollars compared with 8,710 million dollars for the same period last year. Crops may be down, mainly because of reduced receipts from the small cotton crop. Livestock and products are expected to be about the same as in 1945 with dairy products down but poultry and eggs up slightly.

In March, total cash receipts from farm marketings amounted to about 1,350 million dollars, nearly the same as in 1945. Livestock and products were around 870 million dollars, showing no significant change, while crops were slightly lower than in March 1945.

Total cash receipts in April are estimated to be about the same as in March, but 5 percent below last year. Livestock and products probably will be slightly above March, reflecting seasonal increases in dairy and poultry products. Seasonal declines in most crop groups will cause a decline in total crop receipts.

LIVESTOCK AND MEAT

Meat production in 1946, while continuing close to the 1945 level, will not be large enough to fill all demands of the civilian market and the effective demand for export at present prices. Stocks of meat are small relative to current meat production and consumption. Seasonally declining output in the summer will result in increased shortages of meat in deficit production areas.

Prices of cattle, calves, and hogs will continue to press against price ceilings on meat and live animals. The average price received by farmers for beef cattle since January has been the highest on record for these months. Hog prices, continuing at ceilings in April, were exceeded only in 1917-19 and 1943. Unit returns to farmers for lambs will continue at record levels with subsidy payments on sales to continue at least through June.

Current forecasts of disposable consumer income and prospective civilian meat supplies for the second half of 1946 indicate that prices of meat at retail for that period would average 15 to 20 percent above present reported levels if price ceilings on meat and live animals were removed. This would result in some increase over current levels in average meat-animal prices to farmers even if subsidies to slaughterers, which are equivalent to 10 to 15 percent of current prices, were withdrawn after June 30. Purchases of meat by the Government for export in the first quarter of the year totaled approximately 340 million pounds (dressed meat basis). Purchases for export are expected to continue relatively large, and total exports in 1946 may equal or exceed the 1.2 billion pounds exported in 1945 (including shipments to U. S. territories). Purchases by the armed forces may be only about one-fourth as large as reported net purchases of 3.6 billion pounds, dressed meat basis, in 1945.

Despite diversion of cattle and calves to non-federally inspected slaughter, meat production under Federal inspection in the first quarter of 1946 was about the same as a year earlier. The number of hogs slaughtered will be larger in 1946 than in 1945, in part because of the 12-percent increase in the 1945 fall pig crop over a year earlier, and in part because of earlier marketing of spring pigs this year than last. But the average weight of hogs slaughtered will be less than in 1945; reflecting less favorable hog-feed price relationships and smaller feed grain supplies. Total cattle slaughter this year will be large because the prospective market supply of grass fat cattle is large. However, the supply of fed cattle marketed during the balance of the year is likely to be somewhat less than a year earlier. The April 1 number of cattle on feed in the Corn Belt was reported to be 17 percent less than a year earlier. The early lamb crop which in recent years has accounted for around one-fifth of the total crop, was estimated to be 13 percent less in 1946 than 1945, the smallest in almost 20 years. Lamb and mutton production through early April was greater than a year earlier, with large marketings of ewes and old-crop fed lambs, but production of lamb in the remaining months of the year will be less than a year earlier.

DAIRY PRODUCTS

The over-all demand for milk in the United States will continue to exceed supplies at current prices throughout 1946. The relationship between demand and supply, of course, will vary considerably among individual dairy products.

Reflecting seasonal increases in farm milk production, demand for milk for fluid use in metropolitan markets is being much more nearly filled than it had been in the preceding several months. Although output of manufactured products will expand as the milk flow increases seasonally, civilian demand for these products probably will not be fully met. Even during the flush season of milk production, however, supplies of butter will be far short of demand at current prices. Ice cream production may continue larger than a year earlier, as it has since V-J day, but demands will not be fully satisfied.

Production of all manufactured dairy products in coming months will be smaller than a year earlier because the total milk flow will be a little smaller and a larger proportion of the available supply will be consumed as fluid milk. However, because of smaller noncivilian uses this year than last, supplies of all items, except butter, will be larger during the next few months. Civilian supplies of butter in that period will be nearly as large as in corresponding months of 1945 but, without rationing, regional distribution will be less satisfactory and movement into storage will be very small. In the first quarter 1946 creamery butter production was about 27 percent smaller than 1945.

Average production per cow on April 1 was the highest on record, and total milk production has increased more than seasonally since January 1. In spite of these increases, total milk production in the first quarter was smaller than a year earlier by 2.3 percent. High production per cow has been favored by unusually early pastures this spring and the culling of many low producing cows during the past year. Total production is expected to continue at current high level, although below 1945. Among the factors contributing to the high levels are: favorable dairy product-feed price ratios, Government's intention to maintain returns to dairy farmers as announced by the Office of the Stabilization Administrator, and recent increases in prices and subsidies announced or planned for milk and butterfat sold by farmers. The tight feed situation may offset these factors to some extent.

POULTRY AND EGGS

Prices received by farmers for eggs for the remainder of the year probably will average moderately below last year. During most of 1945, egg prices were at or near ceiling levels, owing to large Army procurement, a wide margin between demand for and supply of meat, and a record level of consumer income payments. For the remainder of 1946 the demand for eggs is not expected to be quite so strong as in 1945. Government purchases of eggs for export will be larger than the rather small purchases in 1945, when export requirements were met largely from stocks previously accumulated.

Supplies of eggs available for civilians during the second half of the year will be larger than in the corresponding period of 1945. Farm egg output may be somewhat smaller, but the present increase in commercial stocks which will more than offset any later decrease in production.

The average price received by farmers for eggs in mid-March was 32.1 cents per dozen, 98 percent of parity and 1 cent below March 15, 1945. After declining sharply during January and early February, egg prices became stabilized and did not show the usual seasonal declines during this period. The recent strength in egg prices has resulted from a strong demand for eggs for storing, a rate of consumption during the first quarter of only about 3 to 5 percent below last year's record annual rate of over 400 eggs per capita, and USDA purchases of dried eggs for export at prices above support levels.

Prices received by farmers for chicken meat during the second and third quarters of 1946 will average moderately below the record high levels reached in the corresponding quarters of 1945 when the demand-supply gap was wide. Civilian supplies per person will be larger because of a sharp reduction in Army procurement and record cold-storage stocks. But in the fourth quarter of 1946 prices may not be much different than in the previous year, since civilian supplies may be about the same.

Chicken meat prices increased sharply during March and are at or near ceiling levels. The large reduction in commercial broiler output, and seasonally smaller marketings of meat are among the factors responsible for the sharp upturn.

FATS, OILS, AND OILSEEDS

A substantial reduction in butter output this year now seems likely. Production of creamery butter in the first three months of 1945 was about 27 percent less than the 300 million pounds produced a year earlier. Factory and warehouse stocks of food fats and oils were materially reduced at the beginning of 1946 compared with a year earlier, reflecting the exhaustion of large Government inventories of lard and butter on hand at the beginning of 1945. With the acute need for fats in Europe, exports of lard, shortening, and edible oils from the United States are expected to continue large this year, although somewhat smaller than in 1945. These factors tending to reduce civilian supplies in the United States are only partly offset by prospects for an increase in lard production this year and by reductions in procurement by the armed forces.

Prices received by farmers for soybeans in mid-March averaged \$2.12 per bushel compared with \$2.13 a year earlier and with the support level of \$2.04. A further increase over the support probably will occur in the next 2 months, reflecting an increasing proportion of sales for seed. Mid-March prices to farmers for peanuts averaged 8.63 cents per pound, 0.43 cents higher than a year earlier and the highest since 1920. Flaxseed prices received by farmers in mid-March continued at \$2.89 per bushel, reflecting the ceiling of \$3.10, Minneapolis basis. Prices for cottonseed dropped sharply from \$50.30 in February to \$47.50 in March, down \$4.50 from March 1945.

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CORN AND OTHER FEED

Demand for feed grains, byproduct feeds, and commercial mixed feeds continued to be extremely strong in April. Available market supplies, although relatively large, continued insufficient to meet the unusual demand at ceiling prices. Despite reported shortages of feed in many areas, farmers generally continued to feed livestock liberally, especially milk cows and laying hens, and have not undertaken any extensive liquidation of livestock.

Recently issued Government Orders placed widespread restrictions on the purchase and use of grain and grain products. Those restrictions are intended to effect a reduction in the domestic use of corn for food and industrial use and in the output of commercial mixed feed. The regulations, while restricting output, probably will result in somewhat more equitable distribution of available supplies, and eliminate some of the duplications in demand. The "scramble" for available supplies of feed grains and byproduct feeds during recent months resulted in placing orders much in excess of actual requirements of users.

Even with a lessening of demand, available commercial supplies of those feeds during the next few months probably will not be large enough at all times to satisfy the requirements of users permitted to purchase supplies. Marketings of oats and barley from farms usually are seasonally small from April through June, and marketings of corn are small through September. Total output of byproduct feeds during the next few months probably will be 15 to 20 percent less than a year earlier.

The very strong demand for feed during the first quarter of 1946 resulted in unusually heavy disappearance of feed grain. Disappearance of both corn and barley during the quarter was 8 percent greater than during the corresponding quarter of 1945. Disappearance of oats was 29 percent greater than in January-March 1945, and the greatest on record for the quarter.

Stocks of corn on farms and at terminal markets on April 1 were about 251 million bushels smaller than a year earlier, and the smallest for that date since 1937. Stocks of barley in the same positions on April 1 were 25 million bushels smaller than a year earlier, and the smallest for that date since at least 1940. Stocks of oats, on the other hand, were 167 million bushels larger than a year earlier, and were larger than on any previous April 1.

Production of corn, oats, barley, and sorghum grains in 1946 will total about the same as the 118 million tons produced in 1945, if acreage planted to those crops is as large as indicated by farmers on about March 1, and yields, by States, equal the average for the past five years. But the prospective increase in carry-over of oats will not offset reduced carry-overs of corn and barley. Supplies of feed grains for the 1946-47 season probably will be slightly smaller in total than in 1945-46. Livestock numbers are decreasing, however, and the supply of feed grain per animal unit for 1946-47 should be about the same as in 1945-46.

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WHEAT

Prices for wheat are expected to continue at ceiling levels into the new harvesting period as a result of the existing very great demand for wheat.

In order to speed the movement of wheat from farms, the Department of Agriculture on April 2 announced that it would buy wheat from farmers for immediate delivery to the CCC at the market price on any later date the seller may choose on or before March 31, 1947. On April 19 it was further announced that a bonus of 30 cents a bushel would be paid on wheat delivered under the certificate plan by May 25.

Wheat stocks on April 1 in all positions totaled 339 million bushels, which is several million bushels below earlier indications. If the April - June export goal of 125 million bushels of wheat is to be met, including that for flour in terms of wheat, it will be necessary to make all possible economies and also to reduce our carry-over July 1 to less than 100 million bushels. Stocks of this size would be the lowest since the 83 million-bushel carry-over in 1937. The various orders issued to reduce food wheat consumption, together with voluntary reductions on the part of consumers, are expected to reduce food use at least 30 percent compared with the same quarter a year earlier. The use of wheat for animal feed would have to be curtailed even more sharply. Much higher than normal feeding in recent months is largely responsible for the present tight situation. A great deal of the wheat that is being fed is on the farms where it was produced and does not come under the order restricting the use of wheat for this purpose.

Of the total stocks of wheat on April 1, about 204 million bushels were still on farms. In the preceding nine months of the current marketing year, growers responded to the large demand by marketing a record large quantity. With 60 percent of the total supplies still on farms, it will be necessary for growers to continue the very heavy movement and to reduce their stocks of old-crop wheat to the barest minimum if this country's relief commitments are to be met.

Effective March 1, millers were required to produce only flour of an 80 percent extraction. Beginning April 1, millers were further restricted in their flour milling for domestic use to 75 percent of the quantity distributed in the corresponding months of 1945. At the same time, food manufacturers were restricted to the use of 75 percent of the quantity of wheat used in the corresponding months a year earlier. Further economy measures to conserve wheat so as to reduce starvation in overseas countries include restriction in the use of wheat by feed manufacturers and complete prohibition of its use in the production of alcohol, spirits, and beverages. Moreover, a Famine Emergency Committee is engaged in actively encouraging voluntary reductions in the consumption of wheat products.

The great economies called for apply largely to the time remaining before the new harvest. The crop in prospect in the United States, which will begin moving to market in July, is adequate to take care of domestic needs and will contribute substantially to a prospective export and stock rebuilding demand next year. If the prospective U. S. spring wheat acreage is seeded and yields are equal to the average for the years 1937-44, by States, a spring wheat crop of 257 million bushels would be produced. With a winter crop of 831 million bushels as indicated on April 1 total U. S. production of wheat in 1946 would be 1,088 million bushels. This crop would be second only to the 1,123 million bushels produced in 1945, and the fourth billion-bushel crop in our history. Most sections of Europe, particularly France, Spain, and Italy, report satisfactory wheat crop conditions. Present prospects are for a crop larger than in 1945. Prospects in North Africa are reported as generally favorable, especially in Morocco and Algeria. Good crops in these Mediterranean countries would reduce substantially the need for imports in 1946-47. Many other areas, including enemy countries and the Far East, will probably continue to require very large imports under any foreseeable circumstances. The rebuilding of stocks the world over and the heavy requirements for feed probably will absorb any prospective increases in supplies, as food needs are eased,

FRUIT

Demand for fresh fruit is expected to continue strong this spring, with prices generally advancing seasonally. Supplies of oranges, grapefruit, and strawberries will be considerably larger this spring than last, those of lemons slightly larger, and those of apples much smaller.

Prices for oranges at terminal markets are expected to average slightly higher this spring than last winter. Prices for the best grades and preferred sizes are expected to continue at ceiling levels, with the lower grades and smaller sizes selling at a discount. Ceiling prices for California oranges increase seasonally May 1.

Terminal market prices for grapefruit, which made moderate seasonal advances during March and early April, may make slight further advances this spring. The market is being strengthened by the brisk demand of processors for grapefruit for canning as juice and segments. On the other hand, the larger-than-usual supplies remaining to be marketed will tend to prevent any large increases in price.

Prices for lemons advanced during March under improved demand arising from the warmer weather. Further advances seem probable this spring, but the prices may stay below ceiling levels because of the large supplies.

Demand for strawberries continues strong at prices higher than a year ago despite larger supplies. Although a large increase in production over last year is indicated, supplies will not reach prewar volume. Prices for the fast-dwindling storage stocks of apples and pears are expected to continue at ceilings.

TRUCK CROPS

With employment continuing at relatively high levels and with few other foods in abundant supply, demand for fresh vegetables continues strong. Of the truck crops moving in greatest volume in early April this year, cabbage, carrots, onions, and tomatoes were bringing prices higher than a year earlier, while cauliflower, celery, and lettuce were selling lower than a year earlier.

Prices received for commercial truck crops for fresh market shipment are expected to follow normal seasonal patterns during May and June, with most crops declining in price. Although aggregate spring production is expected to be about 10 percent larger than in the spring of 1945, more people this year than last will be eating out of civilian supplies, so that prices for most truck crops may not be much below those of last spring.

Processors have been actively lining up acreage for the 1946 season. Intentions so far reported point to acreages which, at average yields, would produce slightly more vegetables for canning and freezing than were produced last year.

POTATOES AND SWEETPOTATOES

The sharp slump in prices paid for 1945 crop potatoes experienced during late March and early April is expected to be halted in most producing areas before prices fall to support levels. Prices for old crop potatoes thereafter are not expected to rise much above support levels for the balance of the 1945 crop season. The recent slump represents essentially a readjustment from the temporary upsurge in prices in the first half of March. The rise resulted from the effort of dealers to restock the trade channels which had become depleted through a shortage of cars for table stock, heavy seasonal movement of seed potatoes, and from purchases for export.

Now that the car supply is adequate in most areas and the trade channels are again stocked, movements should follow a more normal pattern. Though stocks probably are somewhat above average, export shipment, Government purchase and diversion, and strong consumer demand together have largely eliminated any surplus of old crop potatoes.

Prices for the rapidly disappearing stocks of sweetpotatoes are expected to continue to remain at ceilings. In spite of a smaller crop in 1945 than in 1944, total carlot shipments by rail and boat this season through early April were about 1,500 cars more than for the same period in the previous season.

DRY EDIBLE BEANS AND PEAS

Prices received by growers for dry edible beans continue steady at support price levels, which are somewhat above the established ceilings. Prices for dry peas advanced to ceiling levels in March as stocks became very low. Farm plus commercial storage stocks of dry beans were more than one-fourth smaller on March 1, 1946, than a year earlier, and those of dry peas were more than two-fifths smaller. Accentuated by war relief feeding needs, demand for the remaining small supplies of dry beans and peas is expected to remain strong.

As an incentive to farmers to increase production of dry beans in 1946, the Department of Agriculture on March 16, 1946 announced support prices for specified varieties grown this year. The new prices range up to 75 cents per 100 pounds above those for 1945-crop beans. For most varieties the increase is 25 cents per 100 pounds or about 4 percent. Also on March 16, the Office of Price Administration gave notice of proposed ceiling prices for 1946-crop beans. Because of increases in the new ceiling prices, it will not be necessary for the Department of Agriculture to pay subsidies on 1946-crop beans as was done on beans from the 1945 and preceding crops.

WOOL

Manufacturers' purchases of domestic wool increased considerably in March and early April, following further reduction in CCC selling prices on February 21. With a continuing high rate of mill consumption in prospect, this increase is likely to be maintained, if selling prices of domestic wool remain attractive in relation to prices of foreign wool. Lack of an announced price policy for selling domestic wool, however, probably continues to act as a restraint on mill purchases. Wool prices have advanced in South American markets in recent months in response to revived European buying. Prices of South American fine and half-blood wools appear to be fully in line with prices at which the British Wool Organization is selling Australian and South African wool of comparable quality.

United States mill consumption of apparel wool (domestic and foreign combined) in February was at a weekly rate of 11.9 million pounds, scoured basis. This is equivalent to about 20 million pounds, grease basis. The February rate of consumption converted to an annual basis was about 1,040 million pounds (grease basis) compared with an annual rate of about 940 million pounds in January and an annual rate of 860 million pounds in the latter half of 1945. The increase in consumption partly reflects an improvement in the labor situation in the woolen and worsted industry. Mill consumption will continue at a relatively high rate through the rest of the year to replenish commercial inventories of wool fabrics and clothing and to meet strong civilian demands. Although mill use of domestic wool has increased from the 1945 low, consumption in February was equivalent to an annual rate of only 133 million pounds, grease basis, or 13% of the total.

Imports of wool continued large during the first quarter of 1946. About 160 million pounds of foreign apparel wool arrived at 3 leading Eastern ports of entry during that period. Current arrivals include shipments of wool purchased in Australia and South Africa last fall and winter.

COTTON

Demand for American cotton by domestic mills and especially for export has increased during the past few weeks. If the daily rate of mill consumption in February is converted to an annual basis, it amounts to 9.7 million bales, which compares with an actual mill consumption of 9.6 million bales in the 1944 crop marketing year. Through the first six months of the 1945 crop marketing year 1.4 million bales of cotton were exported, while only 2.0 million bales were exported in the entire 1944-45 season. It is now estimated that exports for the 1945 crop marketing year will total well over three and a quarter million bales.

Market prices of cotton have been rising quite rapidly largely because of the strong mill and export demand, a considerable speculative demand, and a relatively short supply situation for the good qualities of cotton. On April 6 the price of Middling 15/16-inch cotton at the ten spot markets was 28.08 cents per pound, 138 points above the average for the week ending March 9. Current farm marketings are small and are made up largely of poor quality cotton which had previously been left in the field until late because of adverse weather and the relatively short labor situation. Average prices received by farmers reflect this poor quality and increased discounts for these poor qualities. The price received by farmers on March 15 was 22.70 cents a pound, 31 points less than a month earlier. The average price received by farmers on March 15 was 375 points less than the price of Middling 15/16-inch cotton at the 10 spot markets compared with 127 points in the middle of August 1945.

Market prices of most qualities are well above the CCC loan and/or purchase rates. Further, CCC sales are now being made entirely on a bid basis. Thus, except for the 4 cent payment on exports and ceiling on cotton textiles and manufactured items, market prices of the better qualities of cotton can be considered "free."

A significant development in the cotton situation is the shift of cotton held at other than consuming establishments from Government to private hands. At the beginning of the 1945 crop marketing year, 6.4 million bales or 69 percent of such stocks were held or owned by the Government. It is now estimated that by August 1, 1946, Government will own or hold about 20 percent of these stocks. On March 30, only 653 thousand bales of the 2,114 thousand bales of the 1944 crop cotton which entered the loan program were still under loan and outstanding CCC loans on the 1945 crop covered only 134 thousand bales.

TOBACCO

A high level of disposable income in the hands of individuals and large foreign purchases have maintained current and prospective demand for tobacco products since the end of the war, despite some decrease in industrial employment.

It is expected that cigarette production and consumption (as measured by tax-paid and tax-free withdrawals) will total around 320 billion in the fiscal year ended June 1946 compared with about 340 billion in the fiscal year ended June 1945. Increases in tax-paid withdrawals for civilian use have not quite offset decreases in tax-free withdrawals for military use overseas. Domestic consumption of cigars since January is up compared with the 1945 calendar year, largely because of increased civilian supplies. Smoking tobacco consumption and production is expected to recover from its wartime low, while consumption of chewing tobacco and snuff is receding from the wartime peaks.

After receiving record-high returns from their 1945 crop, growers of flue-cured tobacco indicated their intentions on March 1 to plant an acreage 9 percent in excess of that harvested in 1945. With average yields, supplies for the year beginning July 1, 1945 probably will be the highest on record. However, demand should continue relatively strong.

A high level of burley supplies and a lack of an export market brought on a decline in prices despite strong domestic demand. As a result the 1946 planned acreage is 4 percent below that harvested in 1945. Assuming average yields on the intended burley acreage and a continuation of the present rate of disappearance, supplies of burley during the 1946 crop marketing year will again be at record levels. It is not anticipated that demand for burley will improve materially over that prevailing at present.

Supplies of Maryland tobacco for the year beginning January 1, 1946 were down along with the total demand for cigarettes but some increase has occurred in the export demand for Maryland leaf. Thus, it appears that the 1945 crop of Maryland will sell under favorable conditions when the auctions open on May 21. If the 46,000 acres which growers intended to plant on March 1 produce at about the 1941-45 average yield, and disappearance continues according to present indications, the prospective supply of Maryland tobacco for the year beginning January 1, 1947 will be about 71 million pounds.

Returns to growers from both dark air-cured and fire-cured tobacco from the 1945 crop were the highest since the pre-depression period, in part because of current strong export demand. However, some reduction is anticipated in the foreign demand for these types of tobacco. Growers of fire-cured tobacco intended on March 1 to increase their acreage by 20 percent over 1945 and, by contrast, growers of dark air-cured tobacco intended to reduce their acreage to 11 percent under that harvested in 1945.

Disappearance of cigar type tobaccos has been running at a high level since October 1, 1945, and will put stocks of cigar type tobacco on October 1, 1946 at a level below that of any recent year. According to the March 1 intentions, growers of cigar type tobaccos intend to increase their acreage by 13 percent.